

Alberta Advanced Education Report on Post-Secondary Institutions



Executive Summary

February 2018

Who

Alberta Advanced Education

What

Annual update on internal controls over financial reporting for Alberta's post-secondary institutions.

NOTE: This report does not include Athabasca University, University of Alberta, University of Calgary or University of Lethbridge, the results of the audits for which were published in our October 2017 public report.

When

Financial statement audits were completed for the post-secondary institutions included in this report in September and October 2017, and based on their fiscal year-end dates of June 30, 2017.

Learn More

advancededucation.alberta.ca/post-secondary/institutions

Why a report card

To govern effectively, boards need accurate and timely financial information throughout the year, not just at year-end. To manage effectively, management needs the same information.

We see a direct correlation between a strong year-end process to prepare financial statements and the ability to prepare quality financial information throughout the year. Strong, sustainable processes improve management's decision-making ability and provide opportunities to use results analysis to communicate to Albertans the institution's performance and accountability for results.

Consistent with our previous reporting on post-secondary institutions, we completed a 2017 update on the report card on internal controls over financial reporting, together with comparative assessments from the past two years' audits of colleges, technical institutes, MacEwan University and Mount Royal University.

What we concluded

Most of Alberta's post-secondary institutions continue to build sustainable internal controls and processes to promptly prepare reliable financial reporting.

Post-secondary institutions where improvements are needed in relation to accuracy, timeliness and outstanding recommendation for internal controls and processes over financial reporting include:

- Keyano College (accuracy; timeliness; outstanding recommendations)
- Alberta College of Art + Design (accuracy)
- MacEwan University (outstanding recommendations)
- Northern Lakes College (accuracy)

Why this is important to Albertans

The Minister of Advanced Education, through the department, must ensure the boards of governors of post-secondary institutions hold management accountable for sustaining strong internal control environments and improving identified control weaknesses in a reasonable period of time. Weak control environments impact the quality of management's and the board of governors' decision-making, and can result in an institution not achieving its goals by operating in a cost-effective manner and managing operating risks.

Alberta Advanced Education Report on Post-Secondary Institutions (continued)



What we examined

Consistent with our prior report cards, we evaluated the following key indicators of effective financial processes and internal controls:

- the time it took institutions to prepare complete and accurate year-end financial statements
- the quality of draft financial statements we received, including the number of errors our audit found
- the number and type of current and outstanding recommendations

What we found

We issued unqualified audit opinions on the fiscal 2017 financial statements of the 15 post-secondary institutions where our audits are complete. These opinions are in addition to the unqualified opinions we provided on all four universities we reported on in our October 2017 report.

We also identified four post-secondary institutions where improvement is needed:

Keyano College

Keyano College still must make significant improvements in its financial reporting processes. Our audit continues to find material differences in the college's draft financial reporting.

The board of governors must oversee and hold management accountable for the prompt improvement of these processes.

MacEwan University

Management does not:

- adequately assess whether there are gaps in existing controls
- adequately assess whether changes in processes may introduce weaknesses to the control environment
- provide sufficient regular reporting to the board and its committees on the operating effectiveness of its internal controls

Alberta College of Art + Design

The college has not consistently applied its tendering policies to obtain proper approvals or business cases on all sole-sourced contracts.

Northern Lakes College

The college does not consistently remove the system access of terminated employees promptly.

We have made observations to management of Northern Lakes College and the Alberta College of Art + Design to improve their operating and financial reporting processes. Weaknesses in these processes increase the potential for errors in the accuracy of future financial reporting.

Four prior-year recommendations were implemented: Lakeland College (1), Northern Lakes College (1), Olds College (1) and Portage College (1).

Eleven of the 16 institutions we examine in this report have no outstanding recommendations. Overall, 14 of the 20 public post-secondary institutions we audit have no outstanding recommendations.

What needs to be done

There were three new recommendations that we issued to institutions, including that:

- MacEwan University strengthen its controls for supporting key financial and business processes
- the Alberta College of Art + Design enforce compliance with purchasing procedures
- Northern Lakes College promptly remove the user access of terminated employees

Consequences of not taking action

Effective control environments include clear policies, well-designed processes and controls to implement and monitor compliance with policies, and secure information systems. Such a control environment helps provide timely and accurate financial and non-financial information to manage and govern the institution.

Recommendations not implemented promptly erode the effectiveness of the institution's control environment.

Read the full report at:

oag.ab.ca

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